Government of
Saskatchewan

Response to *Finding the Balance*, the Final Report of the Commission on Financing Kindergarten to Grade 12 Education

The Government of Saskatchewan, through the departments of Learning and Finance, established the Commission on Financing Kindergarten to Grade 12 Education in May 2003 and appointed Mr. Ray Boughen as commissioner. The Commission was tasked to research and document the varied and complex issues of funding the province's education system and to provide recommendations for change.

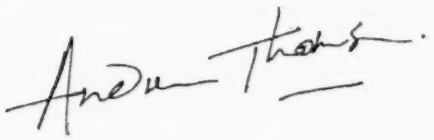
The Commission's final report, *Finding the Balance*, was submitted to the government in January 2004. The report brings together the extensive research and analysis conducted by the Commission as well as the views of stakeholder organizations and individuals. The report also contains 12 recommendations for reducing the reliance on property taxes to fund education and for reducing inequity in financing the kindergarten to grade 12 education system.

Taking the first step . . .

The issues raised by the Commission, and their highly significant implications, have been carefully considered in the context of the province's present restrained fiscal capacity. This response to the Commission's recommendations is balanced within the context of the many priorities government has been called on to address.

We owe it to the people of this province, and especially our children and youth, to give the complex issues highlighted in the report close attention as we continue to work toward sustainable, meaningful change.

The steps taken by Government will work to address present inequities in how the province's education system is funded and, at the same time, will create a solid foundation on which to support further change.



Andrew Thomson
Minister of Learning

Government's response to the recommendations

Since the release of the Boughen Commission report in January 2004, the provincial government has looked at options for change and will move forward at this time in two areas:

- **School division restructuring:** The Province has created the Education Equity Task Force that will work with stakeholders according to specific principles and criteria to reduce the number of school divisions in the province from 82 to no more than 40. Restructured school divisions will benefit from enhanced programs and services for students and improved financial equity through a regional pooling of education property tax.

- **Foundation Operating Grant review:** The grant will be revised to make it simpler, more transparent, and to ensure grant funding to school divisions supports the goal of increased equity among school divisions as a result of the new regional pooling model. Changes may begin as early as 2005-06.

Restructuring the current school division boundaries will ensure all Saskatchewan young people have access to the same quality of education programs and services no matter where they live. Restructuring will improve equity in funding among school divisions so that property owners, no matter where they live, will pay more equitable amounts to support the province's high-quality education system. The structural changes will also provide a solid foundation on which to implement changes to the education portion of property taxes and the funding provided by the province to school divisions.

What follows are the government responses to the Commission's recommendations contained in its final report, *Finding the Balance*.

Commission Recommendation 1:
"The province provide education property tax relief equally across all property classes through an injection from the general revenue fund of $200 million in 2005-06, increasing to $300 million over the subsequent four year period."

Commission Recommendation 2:
"The province finance the initial $200 million of new revenue by increasing provincial sales tax to 7% and expanding its base to include restaurant meals and snack foods, effective April 2005."

The Government's Response:

The Province recognizes that property owners, and particularly agriculture property owners, are concerned about the level of education property tax and intends to address this as our fiscal situation improves. When we get new and ongoing compensation on equalization from Ottawa, we will dedicate 30 per cent of these funds to property tax relief.

Since the release of the Commission's final report, the government increased the PST to provide funding for the province's health system and not for education, as recommended by the Commission. Financial support for education is one of the key priorities for the Government of Saskatchewan. With the current, increasing pressures for financing the health care sector, any incremental government resources in 2004-05 were required to meet these priority pressures.

Commission Recommendation 3:
"The province provide the additional $100 million, by phasing in $25 million per year, from 2006-07 to 2009-10."

The Government's Response:

Education is a priority for this government. In looking to the future, the government is committed to increasing funding for education when its fiscal situation allows.

Commission Recommendation 4:
"The province implement a provincial education mill rate on all commercial and grants in lieu properties effective April 2005."

The Government's Response:

We considered the Commission's option of pooling commercial and industrial property assessment, as well as other options that consider pooling of the majority of assessment for a provincial education property tax levy. All of these options currently have significant practical implications that would be impacted by:

- the wide-spread use in urban communities of mill rate factors on property for education tax purposes. At present these factors cause significant shifts in property tax from residential to commercial, industrial, and multi-unit residential properties;
- the unknown impact of the revaluation of properties that will take place in 2005; and
- school division restructuring.

Once these issues are resolved over the next two years, we will evaluate the need to do further work in the area of provincial pooling of assessment while remaining mindful of the extent to which any pooling option would impinge on the autonomy of school boards and municipal governments in relation to their financial affairs.

Commission Recommendation 5:
"The province establish a task force to recommend to the Minister of Learning revised Saskatchewan school division boundaries to increase equity among school divisions and maintain local responsiveness and accountability."

The Government's Response:

The government has appointed the Education Equity Task Force to prepare a new school division boundaries map. The map will include no more than 40 school divisions, including minority faith and francophone school divisions. The task force is made up of three well-known and respected members of the education community. Restructured school divisions will be provided additional funding to support the process once the restructuring begins. New school divisions are expected to be in place by January 2006.

Saskatchewan's school divisions presently number 82 with an average of 2,100 students per division; 38 divisions have fewer than 1,000 students. Saskatchewan has by far the lowest number of students per division in the country. For comparison, Manitoba has 4,800 students on average for each of its 39 divisions; Alberta has 8,900 students on average for each of its 62 divisions, while Ontario has 72 school divisions, each with an average enrolment of 27,800 students.

A moratorium on school closures will be in place during the restructuring transition period from September 1, 2004 to December 31, 2006.

Creating these new divisions will regionally pool resources so that all boards of education can provide a full range of programs and services to all Saskatchewan students. Restructuring the current school division boundaries will ensure all Saskatchewan young people have access to the same quality of education programs and services no matter where they live.

Reducing the number of school divisions will also significantly reduce funding inequities among school divisions where at present there is a wide variance in the proportion of highly assessed properties. This variance results in some school divisions having a much higher mill rate, and as a result much higher property taxes, than some other school divisions. Restructuring will help to bring school divisions with higher property assessments together with school divisions that have lower assessments, creating a more balanced, equitable system overall.

Membership on the Restructuring Coordinating Committee will be reconfirmed so the committee can provide support to divisions as they restructure. The committee is made up of stakeholder representatives who will assist school divisions with planning for program and service delivery, human resources, facilities and finances, and communications around restructuring. The committee will also play a role in reviewing local school council and School^{PLUS} linkages.

Commission Recommendation 6:
"The province limit the ability of boards of education and municipalities to increase mill rates through the transition period (the first three years) so ratepayers enjoy the benefit of the education property tax reduction."

The Government's Response:

Government respects the local autonomy of municipal governments to determine mill rates and supports the right of duly elected school boards to

access the property tax base. Limiting mill rate increases is not being considered at this time.

Commission Recommendation 7:
"The province revise the current Foundation Operating Grant program in conjunction with school division and K-12 education community representatives, renaming it the 'School Tax Equalization Program' (STEP)."

The Government's Response:

The External Reference Committee will review the Foundation Operating Grant with the aim of making it a more simplified, transparent, and equitable grant program. The committee's work on this specific review will begin this year and will continue throughout the restructuring process into 2006. The External Reference Committee was created in 1999 to examine issues and solutions around the Foundation Operating Grant program. Its membership consists of representatives from SSBA, LEADS, SASBO, STF and Saskatchewan Learning.

Commission Recommendation 8:
"The province distinctly and transparently account for the full amount of funding appropriated from each government department for the School^{PLUS} program with the longer view of reporting all of the funding available for the integrated service model for Saskatchewan children and youth."

The Government's Response:

School^{PLUS} is a new partnership in which government, school divisions, families and communities work together in the best interests of children and youth. School^{PLUS} fosters a cultural change that depends less on increased funding and more on increased cooperation and shared available resources among schools, communities, and government departments.

With restructuring, the School^{PLUS} model is likely to be a key part of organizing local community participation and governance.

From March to June 2004, government departments involved in School^{PLUS} will be confirming the learning support needs of children and youth through Community Service Delivery Mechanisms throughout the province.

Commission Recommendation 9:
"The province and school divisions work together to implement changes to the definition and collection of school division financial and statistical information."

The Government's Response:

Government acknowledges that timely, relevant, comparable information is needed to ensure effective resource allocation, appropriate decision making, assessment of programs and services, and public accountability.

Saskatchewan Learning is working closely with the Saskatchewan Association of School Business Officials (SASBO) to enhance the quality of the financial information provided by school divisions. In January 2002, school divisions implemented a new financial accounting and reporting manual to align more closely to the national Canadian Institute of Chartered Accountants reporting standards. In 2003, the department implemented a web-based data collection system for school division financial information. The new reporting system has improved the scope, timeliness, consistency and usefulness of school division financial information. The department will continue to work with SASBO to implement changes that will improve the consistency, relevance, usefulness and public accountability of financial information collected and reported by school divisions.

Commission Recommendation 10:
"The province facilitate discussion among the multiple school systems on opportunities for the systems to share costs in areas like facilities, transportation, technology and learning resource procurement, education specialist services, and others. The process to facilitate this discussion should be established by June 2004."

The Government's response:

The School^{PLUS} initiative focuses on increased cooperation and sharing of resources among schools and communities. In addition, Saskatchewan Learning's regional directors of education are a key link between the department and the school systems in the province.

An important role of regional directors is to facilitate discussion on areas where education providers, and indeed other human services providers, can share and co-ordinate programs and services for Saskatchewan students. This process will continue as government moves forward with restructuring public school divisions in the province.

Commission Recommendation 11:
"In conjunction with SAMA and local governments, the province should create greater stability in tax policy and the assessment system; consistency in the application of property tax policy and transition strategies for both levels of government; transparency and understanding of the objectives of property tax policy for both levels of government. A strategy to effect the recommended changes should be developed by January 2005.

We further recommend government change the education property tax structure to remove education property tax from seasonal residential property. A person should pay education property tax on only one property unless that property was revenue generating. The province develop specific strategies to address the removal of mill rate factors for education property tax purposes, and application of education property tax on permanent residential and commercial property in provincial parks."

The Government's Response:

In the 2004-05 budget, the government announced steps to strengthen and stabilize the Saskatchewan Assessment Management Agency (SAMA) through changes in the funding and governance of SAMA. Changes are also proposed to strengthen the integrity of the assessment system with respect to assessment roll confirmation and audit quality assurance processes. The Department of Government Relations and Aboriginal Affairs (GRAA) will also be undertaking consultations to review the possibility and practicality of shortening the revaluation cycle after the 2009 revaluation.

Government Relations and Aboriginal Affairs will undertake consultations with the local government sectors and other property tax stakeholders to review the use of local property tax tools and their impacts.

Government will not consider removing education property tax from any property class at this time. We will continue to work with stakeholders and Saskatchewan Environment on the issue of education property tax on permanent properties in provincial parks.

Commission Recommendation 12:
"In consultation with representatives of the education, local government, agriculture and business sectors, the Departments of Learning and Government Relations and Aboriginal Affairs develop an implementation plan for government. The objectives of this plan would be to:

- implement the phase-in of the provincial education property tax mill rate on commercial and GIL properties;

- implement a transition plan to phase in the redistribution impacts of the increased general revenue contribution and the provincial mill rate;
- implement restrictions on school division and municipal mill rate increase;
- implement changes to the School Tax Equalization Program;
- implement changes to the definition and collection of school division financial and statistical information."

The Government's Response:

A coordinated and planned approach is important for the successful implementation of these first steps toward sustainable and meaningful change in the province's education system. Impacted government departments, including Learning, will continue to work in partnership and work closely with their respective stakeholders as we move forward on this significant plan to improve equity for the students and taxpayers of Saskatchewan.

Conclusion

The Government of Saskatchewan is committed to maintaining a high-quality kindergarten to grade 12 education system – a system that is challenged by the province's changing demographics and declining enrolments.

The *Commission on Financing Kindergarten to Grade 12 Education* provided thoughtful, well-researched recommendations that have contributed significantly to the direction government has chosen to steer a course for change.

For further information about the Commission and its findings, or about the changes that will be implemented by the Government of Saskatchewan, please contact:

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